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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

Ug2-2266

__X__ QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTER ENDED MARCH 31, 1992

Commission File Number 0-17963

U. S. ENVIRONMENTAL, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	11-2867201
(State of Incorporation)	(IRS Employer Identification No.)

300 Woodcleft Avenue Freeport, New York	11520
(Address of principal executive offices)	(Zip Code)

(516) 546-1500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months or such shorter period that the registrant was required to file such reports, and (2) has been subject to such filing requirements for the past 90 days.

YES__X__ NO_____

Indicate the number of share outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock, $.0001 Par Value - 29,839,164 As of March 31, 1992

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PART I - FINANCIAL INFORMATION

U. S. ENVIRONMENTAL, INC. AND SUBSIDIARY
(A Development Stage Enterprise)

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U. S. ENVIRONMENTAL, INC. AND SUBSIDIARY
(A Development Stage Enterprise)
CONSOLIDATED BALANCE SHEETS
September 30, 1991 and March 31, 1992

ASSETS

	March 31, 1992	September 30, 1991 (Audited)
Current assets		
Cash	$ 60,504	$ 9,604
Accounts Receivable	-0-	-
Subscriptions Receivable	-0-	-
Prepaid Expenses	-0-	2,142
Total Current Assets	$ 60,504	11,746
Property and equipment		
Furniture and fixtures	5,967	5,967
Plant and Equipment	-0-	-0-
	5,967	5,967
Less accumulated depreciation	4,175	3,579
	1,792	2,388
Other Assets		
Securities	250,000	250,000
License agreements (net of accumulated amortization of $219,432, September 30, 1991, and 278,040, March 31, 1992)	2,066,287	2,124,895
Patent (net of accumulated amortization of $104,352 September 30, 1991 and $139,130 March 31, 1992)	985,872	1,020,648
	3,302,159	3,395,541
Total Assets	$3,364,455	$3,409,677

The accompanying notes are an integral part of these financial statements

LIABIITIES AND SHAREHOLDERS'EQUITY

	March 31, 1992	September 30, 1991 (Audited)
Current liabilities		
Accounts Payable and Accrued Expenses	$ 73,847	$ 126,532
Notes payable - Bank	-0-	8,000
Notes Payable Related Parties	74,083	71,033
Total Current Liabilities	147,930	205,565
Longterm liabilities		
Convertible Notes Payable	149,000	194,000
	149,000	194,000
	296,930	399,565
Commitment		
Common Stock Subject to Redemption Recission	250,000	250,000
Stockholders'equity		
Common stock,.0001 par value shares issued and outstanding 34,815,166 (including 500,000 redeemable common shares) (September 30, 1991) and 29,839,163 (including 500,000 redeemable common shares) as of March 31, 1992	2,983	3,432
Capital in excess of par value	4,248,577	4,925,466
Deficit accumulated during development stage	(1,434,035)	(1,301,519)
Less: Treasury stock, 6,000,000 shares	-	(867,267)
Total shareholders' equity as of September 31, 1991 and March 31, 1992	2,817,525	2,766,112
Total liabilities and shareholders' equity	$3,364,455	$3,409,677

The accompanying notes are an integral part of these financial statements

U. S. ENVIRONMENTAL, INC. AND SUBSIDIARY
(A Development Stage Enterprise)
CONSOLIDATED STATEMENTS OF OPERATIONS
For the three and six month periods ending

	For the Three Months Ended March 31, 1991	1992
Development stage expenses		
General and administrative	$164,394	$ 6,236
Depreciation and amortization	73,595	47,238
Interest Expense	5,376	3,450
Total development stage expenses	243,365	56,924
Less - Revenue from demonstration fees	50,000	--
Revenue Generated by Debt Forgiveness	--	(9,344)
Net development stage expenses	193,305	47,580
Net Loss	$(193,305)	$(47,580)
Per share data		
Net Loss	($.007)	($.002)
Weighted average number of common shares outstanding	27,024,700	29,772,496

	For The Six Months Ended March 31 1991	1992
Development stage expenses		
General and administrative	$ 239,631	$ 38,778
Depreciation and amortization	142,034	94,229
Interest Expenses	5,376	8,853
Total development stage expense	337,041	141,860
Less - Revenue from demonstration fees	50,000	--
Revenue Generated from Debt Forgiveness	--	9,344
Net Development stage expenses	337,041	132,516
Investment income	-	-
Net Loss	($ 337,041)	($ 132,516)
Per share data		
Net Loss	($.013)	($.004)
Weighted average number of common stock outstanding	26,554,700	31,016,497

The accompanying notes are an integral part of these financial statements.

U. S. ENVIRONMENTAL, INC. AND SUBSIDIARY
(A Development Stage Enterprise)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended March 31 1992	For the Year Ended September 30 1991 (audited)
Cash flows used in operating activities		
Net Loss	($132,516)	($624,085)
Adjustments to reconcile net loss to net cash in operating activities		
Loss on abandonment	-	-
Depreciation and amortization	94,229	287,997
Issuance of common stock for services		81,018
Change in operating assets and liabilities	(40,949)	30,003
Debt Forgiveness	9,344	-
	62,624	398,818
Net cash used in operating activities	(69,892)	(225,267)
Cash flows from investing activities		
Capital expenditures	-	-
(Increase) decrease other assets	-	24,635
(Increase) decrease in security deposits	-	21,000
Purchase of license agreement	-	-
Net cash used in investing activities	-	25,635
Cash flows from financing activities		
Net proceeds (repayments) from short-term borrowings	(5,000)	(567)
Issuance of common stock, net of offering costs	145,000	5,000
Proceeds from issuance of convertible notes	-	199,000
Net cash provided by financing activities	140,000	203,433
Increase (decrease) in cash	70,108	3,801
Cash at beginning of period	9,604	5,803
Cash at end of period	$60,504	$ 9,604

The accompanying notes are an integral part of these financial statements

U.S. ENVIRONMENTAL, INC.
STATEMENTS OF SHAREHOLDERS' EQUITY
PERIOD ENDING MARCH 31, 1992

	Common Stock		Capital In Excess of Par Value	Deficit Accumulated During Development Stage	Treasury Stock	Subscription Receivable	Total
	Shares Issued and Outstanding	$.0001 Par Value					
Initial issuance of common stock February 18, 1988 (Inception) through July 31, 1988	2,025,000	$ 203	$ 5,097				$ 5,300
Net Loss - February 18, 1988 (Inception to September 30, 1988) (*)							
Balances, September 30, 1988	2,025,000	203	5,097				5,300
Sale of common stock with redeemable warrants in August, 1989	1,000,000	100	49,900				50,000
Costs incurred in connection with issuance of common stock			(9,800)				(9,800)
Shares issued by U.S.Environmental, Inc. in connection with pooling of interest	20,000,000	2,000	359,608			($25,000)	336,608
Net loss, year ended September 30, 1989				($195,462)			(195,462)
Balances, September 30, 1989	23,025,000	2,303	404,805	(195,462)		(25,000)	186,646
Shares donated	(1,000,000)	(100)	100				
Shares issued in exchange for warrants	1,000,000	100	(100)				
Issuance of treasury stock	3,000,000	300			(300)		
Shares issued in exchange for securities (subject to mandatory redemption)	500,000	50					
Shares issued for patent rights	300,000	30	1,124,970				1,125,000
Shares issued for plant and equipment	200,000	20	999,980				1,000,000
Shares issued for license agreement	400,000	40	1,999,960				2,000,000
Shares issued for services	58,700	6	994				1,000
Shares issued for cash	5,000		500				500
Collection of subscription receivable			1,500			25,000	26,500
Net loss, year ended September 30, 1990				(481,972)			(481,972)
Balances, September 30, 1990	27,484,700	2,699	4,532,709	(677,434)	(300)	$ -0-	3,857,674
Issuance of treasury stock	13,000,000	1,300			(1,300)		
Shares issued for services	2,775,000	277	82,913				83,190
Shares issued for license agreement	1,500,000	150	299,850				300,000
Conversion of note payable	35,166	4	4,996				5,000
Shares issued for cash	20,000	2	4,998				5,000
Cancellation of treasury stock	(10,000,000)	(1,000)			1,000		
Acquisition of treasury stock in exchange for plant and equipment,380,000 shares					(866,667)		(866,667)
Other	300						
Net loss, year ended September 30, 1991				(624,085)			(624,085)
Balances, September 30, 1991	34,815,166	3,432	4,925,466	(1,301,519)	(867,267)		(2,760,112)
Cancellation of Treasury Stock	(6,000,000)	(600)			600		
Return of Shares issued for a signing bonus	(250,000)	(25)					(25)
Shares issued for cash	200,000	20	19,980				20,000
Shares issued for services	250,000	25					25
Shares issued for cash	750,000	75	124,925				125,000
Retirement of Treasury shares	(200,000)	(20)	(866,647)		866,647		
Conversion of Notes payable	140,664	14	19,986				20,000
Net Loss for the 1st six months of 1992	--	--	--	(132,516)			(132,516)
Conversion of Note Payable	133,333	13	24,987	--			25,000
Balances March 31, 1992	29,839,163	2,983	4,248,577	(1,434,035)	-0-	-0-	$2,732,593

(*) There were no results of operations for the period February 18, 1988 (Inception) to September 30, 1988.

The accompanying notes are an integral part of these financial statements.

U. S. ENVIRONMENTAL, INC.
(A Development Stage Enterprise)
Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended March 31, 1992 are not necessarily indicative of the results that may be expected for the year ended September 30, 1992.

Revenue recognition

The Subsidiary will recognize revenue upon the sale of its technology to end users as well as through sub-license agreements.

Net loss per share

Net loss per share is computed based on the average number of common shares outstanding during each period. Fully diluted loss per share amounts are not presented for each period because they would be anti-dilutive.

Patent

The cost of a patent is being amortized over the remaining estimated economic life of sixteen years. Amortization expense charged to operations was $52,734 and $34,774 for the year ended September 30, 1991 and the six months ended March 31, 1992, respectively.

Securities

Securities at March 31, 1992 consist of 500,000 shares of restricted securities in Waste Technology Corp. common stock. The investment in the subject company is less than a 20% interest, and is carried at cost. Dividends, if any, received from the public company will be included in other income. These securities are subject to a stock redemption through March 26, 1992. The Company has not, as of the date of this report, received notification from Waste Technology Corp. of its intention to redeem these securities. The Company has nevertheless reserved against these securities. (See commitment)

Statement of cash flows

For purposes of the statements of cash flows, the Companies consider all time deposits with maturities of three months or less as cash equivalents.

2. LICENSE AGREEMENT

The Company has entered into a twenty year amended and restated license agreement with Geotech Development Corporation (Geotech) on October 13, 1989 for the sole use of their technology regarding a solid waste melt-all fusion process. The agreement is renewable at the end of the initial period in perpetuity for successive twenty year periods at the licensee's option. As consideration for the license, Geotech was paid $14,000 and an additional $30,327 was paid to consultants, on Geotech's behalf, to transfer the technology. In addition, there were 2,370,249 shares of common stock of the Parent issued to Geotech in the fiscal year ended September 30, 1990.

The Company, on May 31, 1990, amended its License Agreement with Geotech, whereby the Company issued to Geotech 400,000 shares of common stock valued at $5.00 per share, as consideration for the reduction of royalty fees from 20% to 5%. Under the terms of the Agreement, royalty fees due the licensor will be 5% of total receipts, as defined in the Agreement.

The License Agreement, which has been valued at $2 million, is included in other assets and is being amortized over a period of 20 years on a straight-line basis. The amortization expense for the year ended September 30, 1991 was $100,000 and for the three months ended December 31, 1991 was $25,000.

On October 18, 1991, the Company entered into the Third Amendment to the Amended and Restated License Agreement, effectively giving Geotech the non-exclusive right to build plants in a limited geographical area of the United States for their account or as joint venture partners under a series of restrictions. Geotech may not sublicense under the Agreement. U. S. Environmental, Inc. under this Amendment will receive 5% of the license and input fees received by Geotech on these plants.

The Company on December 17, 1990 purchased from AsbestoGuard International, Joint Venture, Melbourne, Australia a Master License for the exclusive use of the AsbestoGuard System in the United States of America to market, distribute, sell and/or sublicense to others throughout the territory the AsbestoGuard proprietary (patent pending) system for a 20 year term, plus a 20 year renewal option.

The Company paid the Licensor 1.5 million unregistered shares of its common stock, plus a 10% premium on the price of the product not to exceed $1.5 million. The AsbestoGuard System is a two coat sealant applied with an airless spray gun to rehabilitate asbestos-cement products. This License Agreement, which has been valued at $300,000 is included in other assets and is being amortized over a period of 20 years on a straight-line basis, commencing the second quarter of 1991. The amortization expense for the year ended September 30, 1991 was $11,250 and for the three months ended December 31, 1991 was $3,750.

3. NOTES PAYABLE

Short Term

Holder	Due Date	Interest Rate	Amount Sept.30, 1991	Amount March 31, 1991
Shareholders	6/18/92	18% *	$71,033	$73,833
Others	Demand		8,000	-0-
			$79,033	$73,833

* Interest due shareholders is waived through June 18, 1992, subject to payment on or before June 18, 1992

Longterm Convertible

The Company issued and sold $199,000 worth of Convertible Notes as a private placement. These Convertible Notes bear 11% interest and the interest is paid semi-annually with a two year maturity. These Notes are convertible into unregistered common stock of the Company at 75% of the bid price at the time of conversion. Through September 30, 1991, $5,000 of these Notes converted; through December 31, 1991, $25,000 of these Notes converted; and through March 31, 1992, $50,000 of these Notes converted.

4. COMMON STOCK

On October 25, 1991 the Board of Directors unanimously ratified Richard Varker as a Director and accepted the resignation of Carl Massara as President, Chairman of the Board and a Director of the Company. Mr. Massara, who since March has been unavailable to the Company at least 80% of his time, has stated he will be required to be in Florida most of the time in the foreseeable future and, for this reason as well as certain personal financial reasons, Mr. Massara tendered his resignation. The Board has accepted Mr. Massara's resignation and, accordingly, Mr. Massara has agreed to return to the Company his 250,000 shares signing bonus. The Directors have appointed Richard Varker, Vice President, to hold the office of President, pro tem until the Directors have an opportunity to permanently appoint someone to the office.

During the 1st quarter ended December 31, 1991, the Company completed two private placements. In October of 1991 the Company sold 200,000 shares of the Company's restricted common stock for $20,000 to four individuals, two of which were shareholders; and on December 18, 1991, the Company entered into an agreement with Noel Drago Associates, Freeport, new York, to purchase 750,000 shares of the Company's restricted common stock at $0.16-2/3 per share and an option

to purchase up to an additional 750,000 restricted shares of common stock at the same price during the next six months. As part of this transaction, management resigned in favor of a management team assembled by Noel Drago Associates, whereby Noel Drago was appointed President.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(A) Liquidity and Capital Resources

The Company believes that for the next 12 months the Company should not have any liquidity needs in respect to its current operations which require minimal cash expenditures. However, there is no assurance that the Registrant may be successful in its planned business activities, and may require in the future additional funds from equity investment or debt financing from other sources in order to actively market the Company's licensed technologies or build its own plants.

Inflation has had no significant effect on the Company's operations or financial condition.

Financial Conditions

The Company's primary sources of funds to date have been proceeds from the sale of its securities, and nominal interest income on such proceeds. The Company has received $40,200 net of offering costs from the sale of 1,000,000 Units containing 1,000,000 shares of its common stock and 5,000,000 Warrants pursuant to a registration which was completed in August 1989. The Company's subsidiary received approximately $230,000 net of offering costs from two private placements of a total of 4,976,364 shares of its common stock during the last quarter of 1989. The Company raised an additional $199,000 net proceeds as a result of the convertible Note offerings. The Company completed a private placement of 750,000 shares of its restricted common stock at $.1667 per share for a total of $125,000 on December 18, 1991. The same group of individuals has an option to purchase an additional 750,000 shares for the same price during the next six months. Management has committed to exercise this option. In addition thereto, in the event that the Company sells any sub-licenses or earns income from joint-ventures, technology fees, or test demonstration fees, of which there is no assurance, the Company's financial condition should be improved.

(B) Results of Operations

The Company's net development stage loss for fiscal 1991 were $624,000 which includes $287,997 of depreciation as compared to the Company's development stage expenses for fiscal 1990 which were $481,972, and for the six months ended March 31, 1992, were $141,860 as compared to $387,041 for the 1st six months of fiscal 1991.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

There are no material legal actions, proceedings or litigations pending or threatened to the knowledge of the Company.

Item 2. Changes in Securities

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the undersigned has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

U. S. ENVIRONMENTAL, INC.
(Registrant)

By: _____
NOEL DRAGO, CHIEF EXECUTIVE OFFICER, PRESIDENT, DIRECTOR

By: _____
JOHN H. SPOLETI, CHIEF FINANCIAL OFFICER, TREASURER and DIRECTOR

Dated: